

Key Performance Indicators that Drive Revenue and Optimize Your Cash Flow

Solomon Gould, OD, MBA |  S.O.S. Consulting



Financial Disclosures

- Zeiss
- Alcon
- Transitions
- EssilorLuxottica
- Healthy Eyes Advantage/PECAA
- IDOC
- Cognivue, Inc.
- Pharmanex
- Tear Restore
- Innereactive By Innexus

Presentation Overview

- Industry update on optometry post-COVID19 including, but not limited to, patient care demand and a revised clinical and operational landscape
- Breakdown of industry performance key performance indicators (KPI's). What they are, how to improve them, and how often to track them
- Breakdown of practice performance key performance indicators (KPI's). What they are, how to improve them, and how often to track them

My Teams



Team Minneapolis

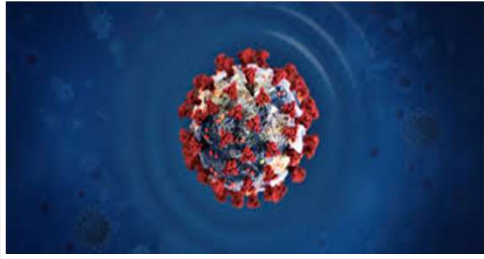


Team St. Paul



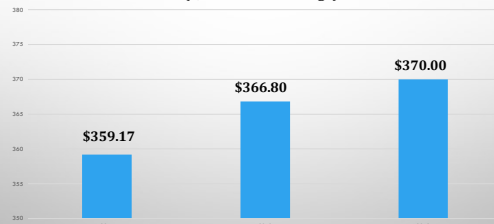


COVID-19 and Delta Variant



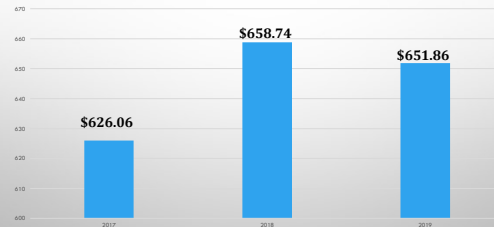
Optometry Practice Trends *Collections Per Exam*

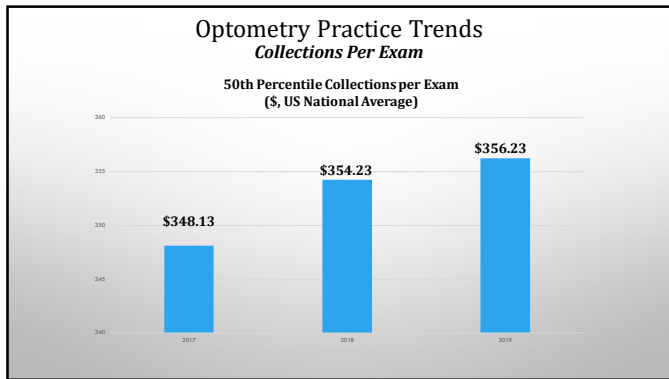
Total Collections per Exam
(\$, US National Average)

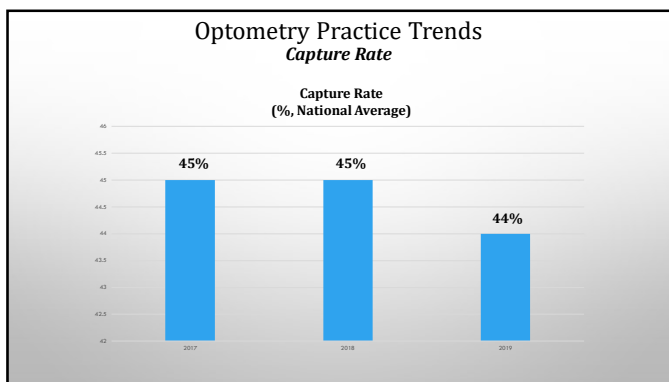


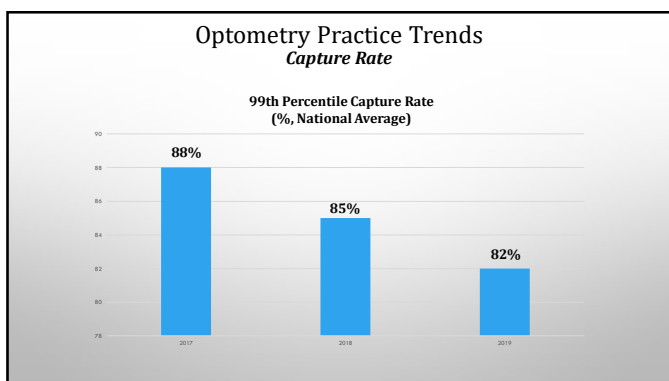
Optometry Practice Trends *Collections Per Exam*

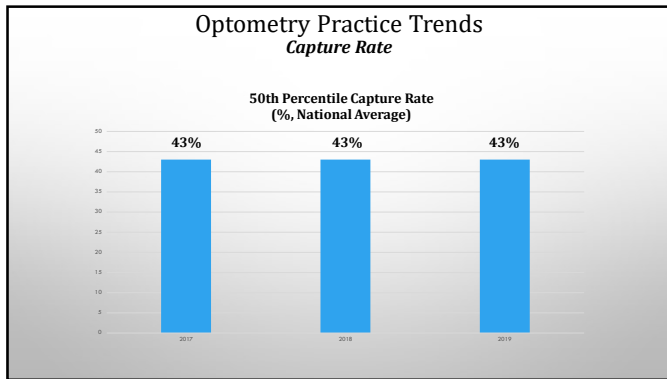
99th Percentile Collections per Exam
(\$, US National Average)











Quiz Question

What is the average loss per practice per year due to billing and coding oversights and errors?

- A. \$25,000
- B. \$50,000
- C. \$75,000
- D. \$100,000**
- E. "ONE MILLION DOLLARS"

Quiz Question

What is average survival of a cold start optometry practice?

- A. 2 years
- B. 6 years**
- C. 10 years
- D. 15 years

Key Performance Indicators (KPI's)

Industry performance (IP) KPI's

- "Hard KPI's"
- Generalized comparison to industry averages

Practice performance (PP) KPI's

- "Soft KPI's"
- Considers different practice models



KPI Overview Layout

- What they are
- Industry averages and 'healthy zones'
- How to improve them
 - Dr. G pro-tips



Industry Performance KPI's

Net Income Ratio

- Identifies a practice's efficiency in converting collections into professional compensation
- Formula

$$\text{NIR} = \frac{\text{net income}}{\text{net collections}}$$
- Industry averages ("healthy zone")
 - 20% to 40%

Improving Your Net Income Ratio

- Increase services offered and products sold
- Increase prices of goods and services
- Reducing costs of goods and services
 - Buying groups



Dr. G's Success Pearl

Be sure to look at the overall net income of the optometrist(s)



Industry Performance KPI's

Operating Expense Ratio

- Helps owners understand what percent of collected money is used to operate the business
- Formula

$$\text{OER} = \frac{\text{total expenses}}{\text{net collections}}$$
- Industry averages ("healthy zone")
 - 60% to 80%
 - 65% to 90% (when non-owner ecps salaries are included)

Improving Your Operating Expense Ratio

- Remove un-profitable or minimally profitable services
- Earn new customers
- Increase conversion
- Consolidate inventory



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Review the detailed line items of expenses on the financial statements to identify areas of improvement



Industry Performance KPI's

Staff Payroll Ratio

- Assesses a practice's efficiency in the utilization of its non-professional personnel
- Formula

$$\text{SPR} = \frac{\text{gross non-od payroll}}{\text{net collections}}$$
- Industry averages ("healthy zone")
 - 17% to 23%

Exceptions to the Rule



Improving Your Staff Payroll Ratio

- Optimize employee scheduling
- Modify, reduce or eliminate 'perks'
- Revising vacation options
- Boost inter-departmental communication efficiency
- Cross-train employees
- Prioritize employee retention
- Automate and outsource tasks



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Low percentages may indicate provider inefficiency
and/or low staff morale



Industry Performance KPI's

Cost of Goods Ratio

- Indicator of allocation of cash flow for the largest expense of any optometric practice: frames, lenses, contact lenses, lab costs, and others
- Formula

$$\text{COGR} = \text{cost of goods (including lab personnel)} \div \text{net collections}$$
- Industry averages ("healthy zone")
 - 25% to 40%

Improving Your Cost of Goods Ratio

- Economies of scale
 - "Purchasing power"
- Revise shipping and distribution methods
- Eliminate unnecessary product features
- Buy needs, not potential



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Many doctors work modified work schedules. Make sure you have accurate numbers for full time equivalent (FTE) figures. Also be sure to evaluate staff roles and responsibilities



Industry Performance KPI's

Collections Per Full Time Equivalent (FTE)

- Assessment of staff productivity

- Formula

$$\text{CPFTE} = \text{net collections} \div \text{total FTE support staff}$$

- Industry averages ("healthy zone")
 - \$115K to \$150K

Improving Your Collections Per FTE

- Cross-train all employees
- Assess and revise number of employees
- Hire seasonally/quarterly



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Watch for trends month to month and compare year over year for performance. Also, be sure to include all optical and professional-fee collections



Quiz Question

What is the industry average ratio of full time equivalent (FTE) staff to OD?

- A. 1.6
- B. 2.4
- C. 3.0
- D. 3.8

Quiz Question

What is the industry average for staff productivity per hour?

- A. \$25 to \$45
- B. \$45 to \$65
- C. \$65 to \$85
- D. \$85 to \$105

Industry Performance KPI's

Collections Per Full Time Equivalent (FTE) OD

- Assessment of OD productivity

- Formula

$$\text{CPFTEOD} = \text{net collections} \div \text{total FTE ods}$$

- Industry averages ("healthy zone")
 - \$500K to \$800K

Improving Your Collections Per FTE OD

- Give patients more payment options
- Incentivize your providers appropriately and deservingly
- Set and enforce standards



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Track year-over-year trends as well as inter-doctor variances. Also, evaluate patient fees in comparison to market area norms



Quiz Question

What is the industry average for annual total patient visits per full time equivalent (FTE) OD?

- A. 1,500 to 2,500
- B. 2,500 to 3,500
- C. 3,500 to 4,500
- D. 4,500 to 5,500

Industry Performance KPI's

Revenue Per Patient

- Assessment of practice's operational efficiency
- Formula

$$\text{RPP} = \text{net collections} \div \text{total patients seen}$$

- Industry averages ("healthy zone")
 - \$250 to \$350

Improving Your Revenue Per Patient

- Tailored approach to each generation
- Mirror inventory to demographic
- Optimize staff and OD morale and incentivization
- Accommodate the 'new consumer'



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Learn your different generations and apply your clinical approach, communication methods, and sales methods accordingly



Industry Performance KPI's

New Patient Ratio

- Assessment of health of patient mix
- Indicator of practice's capacity (ability to take on new patients)
- Formula

$$\text{NPR} = \frac{\text{new patient visits}}{\text{total patient visits}}$$
- Industry averages ("healthy zone")
 - 30% to 40%

Improving Your New Patient Ratio

- Diversify your appointment scheduling options
- Be flexible with your availability but within reason
- Offer after hours online/telemedicine visits



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The call list is your strongest lever to ensure you don't lose perspective patients calling to book



Practice Performance KPI's

Two Approaches

Umbrella assessment

- Occupational-specific assessment

Practice Performance KPI's

Optometrist

- Revenue per patient encounter
- Eyeglass sales and upgrades
- Follow up warm sales and bookings
- Diagnostic imaging
- Diagnostic screening conversions

Year-over-Year
Assessment
of the above

Practice Performance KPI's

Optician

- Eyeglass sales
- Inventory turnover
 - "Frame board management"
- Eyeglass upgrades
- Annual contact lens supply sales
- Exam referrals generated

Year-over-Year
Assessment
of the above

Practice Performance KPI's

Optometric Assistant

- Staff productivity per hour
- Team player incentive
- Screening and/or imaging conversion

Year-over-Year
Assessment
of the above

Practice Performance KPI's

Receptionist/Patient Care Coordinator

- Staff productivity per hour
- Exam recalls booked
- 'Scheduled out' timeline management
- Team player incentive

Year-over-Year
Assessment
of the above



Solomon Gould, O.D., M.B.A.

 @dr.gould2020

 @solomongould

 Solomon Gould

Thank You!!

Bonus Slides

Patient Demand: An Awakening

The Prediction

- Avoidance of routine care
- Urgent care to decrease by 60%
- Rebound to 33% lower operational volume

Status Quo

- Demand exceeding bandwidth
- Many ECPs booked 8+ weeks out
- How long will the 'honeymoon' last?

Self Preservation: A Paradigm Shift

- Consumer priorities have shifted
- Priority on basic human needs
- Increased emphasis on health and preservation

64% of
individuals are fearful
for their own health

82% of
individuals are
fearful for the health
of others

Looking Ahead

74.6%

of US internet users
will avoid shopping
centers & malls if
the outbreak
worsens

50%

of US internet users
will avoid shops in
general if the
outbreak worsens

Minimum **20%**

reduction in
ambulatory and
outpatient clinics if
the outbreak
worsens

Revised Clinical Approaches

Utilization of Personal Protective Equipment (PPE)

- User challenges
- Increased costs
 - 1,000% since COVID19
- Update on ICD10 coding

**Code
99211**

**Code
99070**

Revised Clinical Approaches

Implementation of Telemedicine

Pre-covid19

- Diabetic screenings

Today

- Integral practice offering



Did You Know?

81%
OF ECPs ARE
OFFERING
**TELEHEALTH AND
TELEMEDICINE
USING PHONE-BASED
CONSULTATIONS**

Source: National Eye Institute (2020)

79%
OF ECPs ARE OFFERING
**TELEHEALTH AND
TELEMEDICINE
USING IMAGE/VIDEO
CONSULTATIONS**

Source: National Eye Institute (2020)

Revised Clinical Approaches

Close Contact Services

Contact Lens I&R's



Tonometry



Foreign Body Removal



Revised Operational Strategies

STAFFING

- Quarterback approach
 - Operations-fueled growth
- PPE loan



Revised Operational Strategies

Marketing

- More important than ever
- The new consumer
- The 'new normal'

90%
of consumers use
the internet to find
a local business

40%
increase in social
media usage
since the start of
COVID-19

Revised Operational Strategies

Service Offerings

- Office culture paradigm shift
- Cash flow analysis of current services offered
- Revision as warranted